UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

DIGITAL MEDIA SOLUTIONS, LLC	)	CASE NO. 1:19-cv-00145
	)	
Plaintiff,	)	JUDGE DAN AARON POLSTER
	)	
v.	)	
	)	
SOUTH UNIVERSITY OF OHIO, LLC, *et al.*	)	
	)	
	)	
Defendants.	)	

DEFENDANTS DREAM CENTER EDUCATION HOLDINGS, LLC, SOUTH UNIVERSITY OF OHIO, LLC, AND ARGOSY EDUCATION GROUP, LLC'S RESPONSE TO PLAINTIFF'S EMERGENCY MOTION FOR THE APPOINTMENT OF A RECEIVER AND ENTRY OF A TEMPORARY RESTRAINING ORDER AND PRELIMINARY INJUNCTION

Defendants, Dream Center Education Holdings, LLC ("DCEH"), South University of Ohio, LLC ("SUO"), and Argosy Education Group, LLC, through counsel, hereby state as their response to Plaintiff Digital Media Solutions, LLC's ("DMS's") Emergency Motion for the Appointment of a Receiver and Entry of a Temporary Restraining Order and Preliminary Injunction (the "Motion") that they do not object to this Court granting the Motion, for the reasons set forth herein.

Background

DMS's Motion includes a number of allegations concerning DCEH's financial health. DMS perhaps understates the distress DCEH and its subsidiaries – a number of schools spread across the United States – are experiencing. A full description of DCEH's financial issues is included in the Declaration of Randall Barton, attached as Exhibit A hereto and incorporated by reference.

In summary, DCEH (as the ultimate parent of SUO) purchased three university systems – Argosy, Art Institutes, and South - from Education Management Corp. ("EDMC") in an acquisition that closed initially in October 2017, with a secondary closing in January 2018. Within 60 days of the final closing and after completing the opening balance sheet audits DCEH discovered that the actual revenues fell far short of the projections provided by EDMC, in an amount in the tens of millions of dollars, while overhead fixed costs were significantly in excess of the EDMC's representations. DCEH's efforts to instill best practices organization wide and reduce enormous corporate inefficiencies clearly would not be enough to balance what was now projected to be a substantial operating deficit. DCEH determined that the decline in enrollment and revenue was the result of minimal new program development, vastly reduced marketing efforts prior to sale by EDMC, a gap between curricula and employable skills for a number of programs, and the lack of capital investment in facilities and technology. Those issues exacerbated a disengagement from the local communities. The Universities' high fixed expenses, principally driven by large leased facilities, caused additional stress by limiting the organizations' ability to reduce the cost base in line with revenue. Absent some sort of cure, DCEH forecasted an inability to meet all of its financial obligations by December of 2018.

DCEH's financial woes have resulted in it defaulting on its financial commitments across the country, including sums due a number of landlords, who have started eviction proceedings. The impending cascade of creditor litigation will result in the loss of the schools' accreditations and their ability to receive Title IV funding. Since DCEH and its schools (collectively the "Universities") rely almost exclusively on tuition payments, and since a majority of those payments come through federal student loans, the loss of the Title IV funding will force the

Universities to close without delay. Closing the schools immediately will destroy the enterprise value, leaving little money for DMS and DCEH's other creditors.

Closing the schools immediately will also keep DCEH from selling the Argosy Universities, and perhaps SUO, to an interested buyer: Eastern Gateway Community College "EGCC." DCEH has been in active negotiations to sell Argosy to EGCC, an Ohio state institution that wants to use Argosy's facilities to provide career training services to the thousands of workers displaced by GM's closing of its Lordstown, Ohio plant. The Ohio administration officials have made clear, however, that the State will proceed with a purchase only through the mechanism of a receivership, whereby the State will buy the asset free and clear of all claims and liens. The EGCC/Argosy transaction will bring jobs back to Ohio, provide an avenue for thousands of affected GM employees to find new work, and protect the taxpayers who would otherwise bear the cost of the unemployment benefits.

DCEH, SUO, and Argosy agree that the imposition of a receivership serves to protect all stakeholders: the students, creditors, and taxpayers. Accordingly, DCEH, SUO, and Argosy agree that Plaintiff's Motion should be granted.

Dated: January 18, 2019

Respectfully submitted,

/s/ Robert T. Glickman

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CERTIFICATE OF SERVICE

The foregoing was electronically filed this 18th day of January, 2019. Notice of this filing will be sent to all parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

/s/ Robert T. Glickman
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